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C O N F I D E N T I A L BOGOTA 10796

E.O. 12356: DECL: OADR
TAGS: EPET, CO
SUBJECT: WITHOUT PIPELINE REFIT, CANO LIMON OIL CANNOT
BE MARKETED UNTIL NEXT APRIL.

1. CONFIDENTIAL - ENTIRE TEXT

2. SUMMARY: UNLESS OXY, SHELL AND ECOPETROL INVEST 24
MILLION DOLLARS TO REFIT AN EXISTING OIL PIPELINE
CONNECTING AYACUCHO AND CONVENAS, NO CANO LIMON OIL WILL
BE SOLD UNTIL NEXT APRIL. THE PROBLEM IS THAT ALTHOUGH
THE FIRST TWO SEGMENTS OF THE CANO LIMON PIPELINE SHOULD
BE READY BY JANUARY, THE BARRANCA REFINERY ALREADY HAS
SUFFICIENT SUPPLIES OF CRUDE AND LACKS THE CAPACITY TO
REFINE MORE FROM CANO LIMON. END SUMMARY.

3. CANO LIMON OIL WILL NOT BE MARKETED BY THE END OF
1985 AS PLANNED UNLESS THE COMPANIES INVOLVED IN THE
PROJECT AGREE TO REFIT AN EXISTING PIPELINE BETWEEN
AYACUCHO AND COVENAS. THE PROBLEM, ACCORDING TO A
KNOWLEDGEABLE OIL COMPANY OFFICIAL, IS THAT THE REFINERY
AT BARRANCABER MEJA WILL ALREADY BE RECEIVING ADEQUATE
SUPPLIES OF CRUDE FROM OTHER COLOMBIAN FIELDS BY
DECEMBER, AND THEREFORE WILL BE UNABLE TO USE CANO LIMON
CRUDE. IN ORDER TO BEGIN PUMPING 60,000 BARRELS PER
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DAY BY JANUARY 1986, OCCIDENTAL AND SHELL HAVE PROPOSED
TO ECOPETROL THAT THEY SPEND 24 MILLION DOLLARS TO
REHABILITATE THE CHEVRON PIPELINE MENTIONED ABOVE.

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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J. OLSON
DATE/CASE ID: 5 NOV 2002 200201334
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OTHERWISE, THEY WILL NOT BE ABLE TO SELL ANY ARAUCA CRUDE UNTIL APRIL 1986, WHEN BECHTEL DELIVERS THE FINAL SEGMENT OF THE PIPELINE BETWEEN AYACUCHO AND COVENAS. OUR SOURCE SAID THAT ANY OIL PUMPED BEFORE APRIL OF NEXT YEAR WILL BE REFINED AT THE CARTAGENA REFINERY AND CONSUMED DOMESTICALLY.

4. IN ANY CASE, OXY IS NOW CONFIDENT THAT THE PIPELINE BETWEEN ARAUCA AND AYACUCHO WILL BE IN SERVICE BY JANUARY 1986. ONLY 70 KILOMETERS OF RIGHT-OF-WAY REMAIN TO BE PREPARED AND THE CONSTRUCTION COMPANIES ARE REPORTED TO BE LAYING 1.5 KILOMETERS OF PIPE DAILY. OUR SOURCE SAID THAT OXY HAS PROVIDED HEAVY DUTY HELICOPTERS AND IS PREPARED TO SUPPLY WHATEVER OTHER RESOURCES OR EQUIPMENT TO THE CONSTRUCTION COMPANIES IN ORDER TO FINISH THE PIPELINE IN DECEMBER. THE ECONOMICS OF THE PROJECT AND OXY'S PRESTIGE IN GETTING THE JOB DONE ARE BEHIND THIS CORPORATE POSTURE.

5. OUR SOURCE ALSO SAID THAT NO DECISIONS HAVE BEEN FINALIZED ABOUT HOW OR WHO WILL MARKET THE ARAUCA OIL, BUT IT NOW APPEARS THAT ALL OF IT WILL BE EXPORTED. REPORTEDLY, ACCORDING TO THE TERMS OF THE CRAVO NORTH ASSOCIATION CONTRACT, ECOPETROL AND OXY SHOULD BE INDIFFERENT TO WHICH COMPANY IS GIVEN RESPONSIBILITY FOR EXPORTING THIS CRUDE SINCE THEIR RETURNS WILL BE IDENTICAL. OXY, HOWEVER, WILL TRY TO OBTAIN CONTROL OVER INTERNATIONAL MARKETING IN ORDER TO AVOID HAVING TO WAIT FOR THE GOC TO RELINQUISH OXY'S SHARE OF THE FOREIGN EXCHANGE EARNINGS FOR THE OIL SALES.

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